COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF   )
BEECH GROVE WATER SYSTEM   )   CASE NO. 89-235

O R D E R

On July 14, 1989, Beech Grove Water System ("Beech Grove") submitted a letter to the Public Service Commission ("Commission") requesting permission to increase its rates by 15 percent in order to pass on to its customers an increase in the rates of its water supplier. No other information was provided. On July 19, 1989, the Commission, through its executive director, advised Beech Grove of the procedure to be followed and the information necessary for a purchased water adjustment pursuant to KRS 278.012 and 807 KAR 5:068.

On August 22, 1989, Beech Grove filed an application with the Commission for the purpose of adjusting its rates pursuant to the purchased water adjustment procedure. The information provided by Beech Grove was not sufficient in that it failed to show the gallons of water purchased and the rates it proposed to charge its customers. Subsequently, on August 31, 1989, the Commission requested that the necessary information be filed. Beech Grove filed additional information on September 18, 1989.

The Commission, having reviewed the evidence of record and being sufficiently advised, is of the opinion and finds that:

1. Beech Grove purchases its water from West Daviess County Water District ("West Daviess"). Effective May 1, 1989, West Daviess increased its rates for wholesale water from $.843 to $.956 per 1,000 gallons.

2. Beech Grove adjusted the rates to its customers effective July 1, 1989.

3. During the 12 months ending June 16, 1989, Beech Grove purchased 23,658,800 gallons of water and sold 18,897,835 gallons.

4. The information provided by Beech Grove does not show the actual rates being charged to its customers nor the full calculations of the purchased water increase. Instead Beech Grove listed the amount added to each of its first 5 rate steps, which range from .105 cents to .185 cents. This method of rate adjustment does not comply with the requirements of 807 KAR 5:068. Therefore, Beech Grove's proposed rate adjustment should be denied.

5. The increase in purchased water costs is $3,076 resulting in a purchased water adjustment of $.16 per 1,000 gallons as shown in Appendix B.

6. The purchased water adjustment of $.16 per 1,000 gallons and the rates in Appendix A are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

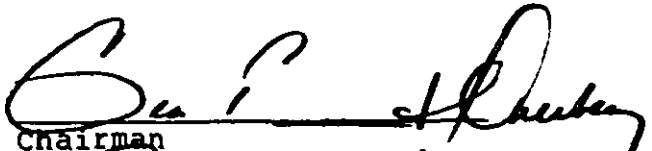1. The rate adjustment as proposed by Beech Grove is denied.

2. The purchased water adjustment and rates in Appendices A and B, attached hereto and incorporated herein, are approved for services rendered on and after July 1, 1989.
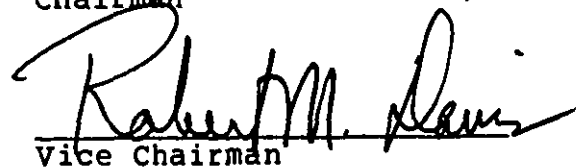
3. Within 30 days of the date of this Order, Beech Grove shall file its revised tariff setting out the rates approved herein.

4. Within 30 days of the date of this Order, Beech Grove shall file a copy of the notice to its customers and verification that such notice has been given.

Done at Frankfort, Kentucky, this 2nd day of October, 1989.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

_____
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 89-235 DATED 10/02/89

The following rates and charges are prescribed for the customers in the area served by Beech Grove Water System. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Gallonage Blocks

First	2,000 gallons
Next	4,000 gallons
Next	4,000 gallons
Next	30,000 gallons
Next	60,000 gallons
Over	100,000 gallons

Monthly Rates

$6.82 Minimum
1.86 per 1,000 gallons
1.41 per 1,000 gallons
1.16 per 1,000 gallons
1.06 per 1,000 gallons
.96 per 1,000 gallons

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CALCULATION OF PURCHASED WATER ADJUSTMENT

Gallons Purchased: 23,658,800
Gallons Sold: 18,897,835

Cost at Changed Rate

23,658.8 m. gallons x $.973 = $23,020.01

 Less

Cost at Base Rate

23,658.8 m. gallons x $.843 = $19,944.37

 Increase in Water Costs $ 3,075.64

$3,075.64 ÷ 18,897.835 m. gallons sold = $.16275 or $.16 per 1,000
gallons